

# EXHIBIT 1

# Small is Beautiful

Jeff Prosser succeeded in creating the largest privately owned telecommunications company in the U.S. by focusing on its assets in the Caribbean. The next challenge: Central America.

• By Valeria Escobari

Being the largest company that provides a service has its share of advantages and challenges. At least for its owner. In the Virgin Islands, ICC, a company owned by Jeff Prosser, is the local exchange carrier, controls all cable-TV operations, the largest private broadcast-TV channel, the largest wireless system, the largest daily newspaper, and its long distance operation now has a market share of 35-40%. In St. Maarten, its cable-TV company is in fact a monopoly, and ICC has the largest wireless operation. In Guadeloupe and Martinique, ICC has a monopoly of cable-TV operations.

Prosser's company was the first in the United States to provide residential and business customers with local, long distance and wireless telephone services, cable television and high speed Internet access – one call, one provider, one installer, one bill. And innovative was the first telecom in the Caribbean to have an all-fiber network and to become 100% digital.

On April of this year, Prosser took control of Belize Telecommunications Ltd. for \$105 million, becoming one of the largest private employers in Belize. The acquisition effectively added \$75 million in revenues. The sale marked the largest single purchase in Belize's industrial history. ICC has grown 20% annually for the past five years despite the telecom bust.

How did Prosser, a small-town Nebraska native, do it? Granted, he

is a savvy businessman and a skillful negotiator, but that alone won't do it. Prosser answers: location, location, location.

"We are basically 1,200 miles from Miami, so if anyone is going to compete with me, for what would be considered in the U.S. a small market, they have to spend a lot of money to do it. It's a great market for us, but for a competitor, it's not big enough, and small players have trouble raising the capital," explains Prosser.

Also, the U.S. Virgin Islands are a major termination point for submarine fiber systems that connect the United States, Latin America, and Europe. ICC has signed long-term

which receive tax exemptions from federal income tax. The U.S. government created these programs to build up the local economies, and take the financial burden off itself.

And although everyone was hit by the aftershocks of WorldCom (now MCI) and the general telecommunications bust, ICC went through it almost unharmed. Though it was indirectly affected by eliminated capital and the downturn of the financial markets, the situation only affected their rate of growth and did not affect the company's revenues. This is mainly because ICC, though not a monopoly in the eyes of the law, is one in reality.

## ICC'S MEDIA MONOPOLY IS DERIVED NOT ONLY FROM BUSINESS SAVVY BUT FROM ITS OPTIMAL LOCATION.

leases on a large portion of the fibers that connect the U.S. and Europe, allowing ICC to provide high-speed access to companies all around the world.

ICC got a further boost from federal tax exemptions that were extended to American companies operating in the U.S. Virgin Islands as well as to the islands of Guadeloupe and Martinique. These led to a booming demand for ICC's communications services, especially for high-speed Internet services. The favorable tax programs were especially attractive to financial-services companies,

For all its benefits, ICC's geographic location gives Prosser a good share of headaches. Being a monopoly in the Virgin Islands led to a petition for an investigation of ICC's compliance with its tax benefit agreement, and that it has "operated as a monopoly while enjoying near tax-free status for more than five years." Further, Prosser has had a hard time recruiting talent, because few people are willing to move permanently to the Caribbean from the U.S., so the high employee turnover forced him to open an office in West Palm Beach three years ago. The office serves as a back office, operating



- Jeff Prosser bought his first telephone company at age 27. Currently, he owns the largest privately held telecommunications company in the U.S.

its financial services, marketing and public relations departments.

Prosser also has had to deal with an ongoing lawsuit from the time he privatized the Virgin Islands telephone company (Vitelco) in 1997. The company had gone public and Prosser bought it back from its shareholders. One of the shareholders sued Prosser because he asserts that the company was undervalued at the time.

The setbacks have not stopped Prosser from looking at other areas in the vicinity for investment opportunities. He plans to double the company's size within the next five years, with another acquisition planned by the end of 2004. "I believe the capital dollars that need to be spent for fiber will be

here forever, especially in the Caribbean and Central America because they are protected markets."

Prosser also plans to grow internally. He will be revamping Belize's operations, which are stronger in wireless than they are in landlines. Belize has about 35,000 lines and 60,000 wireless customers, and Prosser will be investing in building the wired phone company. He has a good reason for it, since approximately 65% of ICC's revenues come from his wired phone companies.

Prosser is not a believer in partnerships, particularly for his company. However, because of the nature of his acquisitions, ICC needs to partner with local governments, which ulti-

mately control the associated regulations and rate of return. Prosser is hopeful he will be able to enter Central American markets, but he is also acutely aware that these markets, though relatively protected, will require a different strategy because this time ICC will face competition from Mexican companies. In the long run, Prosser predicts he will be entering the Cuban market, but not for a while, since European companies have already built the Cuban phone system. Over time, though, he believes the market will be large enough to accommodate additional companies. Maybe that will take away some of his advantages. But it will also take away some of his headaches.♦

# EXHIBIT 2

## PSC Irked by Innovative Bid to Renew Tax Breaks

by Molly Morris

July 27, 2004 – The Public Services Commission voted on Tuesday to inform the Economic Development Commission that the PSC granted Innovative Telephone rate increases based on the anticipated expiration of its EDC tax benefits last year. In a long and frequently heated meeting, PSC members also said they are incensed at the treatment they have received at the hands of the phone company.

Five months after its certificate as an Economic Development Commission beneficiary expired last September, Innovative Telephone applied for a renewal of its tax benefits, despite having told the Public Services Commission last year that it would not do so.

The PSC granted Innovative rate increases last August based on the fact that the benefits were about to expire and the company's assurances that it would not seek to have them extended. (See "Phone Company Seeking Renewal of Tax Breaks".)

Adding to the controversy, Innovative Telephone's president, David Sharp, failed to appear as expected at Tuesday's PSC meeting to explain his company's actions. It was not the first time Sharp had failed to show up.

Keithley Joseph, PSC executive director, said he had written Sharp repeatedly requesting information on its application for renewal of EDC benefits but received no response. When Sharp failed to appear at Tuesday's meeting, tempers flared.

Valencio Jackson, PSC chair, said, "If Sharp doesn't show, he won't be invited next time. It's a privilege to be here."

Jackson addressed his remarks to Julio Brady, an Innovative attorney who was present to represent the phone company. "I don't mean to beat you up," Jackson said, "but we need Sharp."

Commission member Alric Simmonds, who also is the governor's deputy chief of staff, was livid. "Any time Innovative asked for a tariff adjustment, they would come before this body," he said. "They appeared before the EDC. Does that mean the PSC is being ignored?"

Commission member Verne David said: "I've written to Sharp directly, and he didn't answer. That's why I want him here in front of me."

Simmonds said: "They consistently ignore this body. Anywhere else this occurred, that company would have been sanctioned heavily."

Jackson said: "We got our information from the media. We weren't informed personally. If I were in the street, I would say how I really feel. Sharp must be here at the next meeting -- media, take note." He told Brady to carry the message back to Innovative officials.

Attorney Maria Tankenson Hodge said that based on Innovative's benefits expiring last September, the company would owe \$7 million in taxes by now. She asked Brady if Innovative had paid the government; Brady said he didn't know.

David said someone from the telephone company conversant with the situation should be present to address such issues. "Somebody isn't doing their work," he said. "It shows no respect."

"Meeting after meeting, you come," he said to Brady. "You're wasting my time, and I want you to take my message back to Sharp."

Brady said: "I'm sorry you don't think I'm competent to represent Innovative. I can't answer these questions. I'm not part of that docket. I can't anticipate what will be asked" [at PSC meetings]. If you feel you don't have the information, someone else needs to be here. It's critical; it's highly important," he said.

Commission member Desmond Maynard asked, "Suppose one wants to ask whether Innovative is paying taxes?" Brady replied that he couldn't "make up answers."



*Valencio Jackson, PSC commission chair, left, and member Verne David at Tuesday's meeting*

"Nothing galls me more than the insults we get from Innovative," Maynard continued. "If they wanted a rate increase, they would be here front and center."

Brady explained again that he had not been a part of the rate-increase petition process. "It is my assigned duty to be here," he said, to which David replied: "I have great confidence in your ability. I think you know that."

Jackson said he did receive a letter from Sharp, but it didn't address the matter at hand. "It was about the Technical Operations Center," he said. The center had been on Tuesday's docket; however, since Police Commissioner Elton Lewis had to be at the Senate on Tuesday, Jackson said, discussion of the matter was deferred to a later date.

Just about the time tempers abated a bit, copies of an advertisement which appeared in the July 21 V.I. Daily News were distributed. The ad reads in part: "Innovative Telephone, a participant in the Economic Development Program of the Virgin Islands, has a procurement program ..." The ad then lists the types of goods and services it "regularly purchases."

Simmonds said Sen. Adlah "Foncie" Donastorg read the ad text at last Thursday's Senate Finance Committee hearing. "I at first thought it was about telephone lines, but later Donastorg produced a copy of the ad," Simmonds said. "I'm totally floored."

The commission and Brady tossed out ideas about the significance of the ad. "It doesn't say beneficiary; it says participant," Jackson said. "It very well may be they're receiving benefits. I don't know the answer, but I will get one. If they are a participant, we will have to change their rates."

He asked Brady, "Am I right?" Brady replied, "I don't know if they are a participant or not."

Jackson said, "If we don't have an answer, I suggest we get the facts no later than next week."

"An order was issued, and they need to comply," Simmonds said.

David agreed. "It's time to enforce compliance [with] our order," he said. "We want their benefits to be put on hold. The EDC should take no further action until Innovative complies with our order."

Joseph asked hearing examiner Boyd L. Sprehn if the EDC is obligated to give the PSC information. "The PSC cannot order," Sprehn said. "It can request."

The board voted to have Jackson write the EDC informing it of Innovative's obligations under its rate agreement and attaching a copy of the agreement to the letter. The letter is to inform the EDC that Innovative must appear before the PSC before the commission can grant the company new benefits.

The board was scheduled to hear Water and Power Authority matters later in the day.

All seven voting commission members – Jerris Browne, Yvette Canegata-Jones, David, Jackson, Maynard, Simmonds and Alecia Wells – attended the meeting.

### ***Back Talk***

Share your reaction to this news with other Source readers. Please include headline, your name, and the city and state/country or island where you reside.

*Publisher's note* : Like the St. Thomas Source now? Find out how you can love us twice as much -- and show your support for the islands' *free and independent* news voice ... [click here](#).

# EDC moves to extend Innovative Telephone's tax benefits

By MEGAN POINSKI

Daily News Staff

The V.I. Economic Development Commission voted on Thursday to grant an extension and modification of benefits for Innovative Telephone.

The EDC kept details under wraps, saying Friday that the process is ongoing. Yet to be determined is whether the company will

accept the decision, and whether Gov. Charles Turnbull will approve the benefits package.

Officials at Innovative Telephone — formerly known as Vitelco — had not been officially notified of the vote as of Friday night.

In explanation of the slow process of notification, Economic Development Authority Chief Executive Officer Frank Schulerbrandt said Friday that

when the commission votes to offer benefits to a company, it writes a formal report on the proposal and sends that to the company.

Schulerbrandt said Innovative Telephone will receive its formal notification as soon as a court reporter completes the transcript of a December public hearing on the benefits. The court reporter has about 30 days to finish the transcript, Schulerbrandt said.

After receiving the EDC's formal report, a company can accept it or request changes. If the company proposes changes, the benefits offer will go back to the commission for another vote.

After the commission finalizes a benefits proposal, the governor reviews it. Turnbull usually takes action on EDC benefits within three days, Schulerbrandt said.

As a matter of policy, news about

EDC votes is not released to the public by the commission until the company has been notified and the governor has approved a beneficiary, Schulerbrandt has said. The EDC votes behind closed doors in executive session because the commissioners often discuss companies' proprietary information, he said.

Because the process of approving Innovative Telephone's benefits is incomplete, Schulerbrandt was mum on the specifics of the package the EDC voted on.

"I cannot give you that information," Schulerbrandt said Friday night. "I think it's inappropriate to tell you that without notifying the client first."

He did say that three commissioners voted to grant benefits, one voted against and one did not vote. He would not say who cast which votes.

Innovative Telephone asked in February 2004 to renew its EDC benefits, which expired Sept. 30, 2003. The company had been an EDC beneficiary since 1997.

The renewal request asked for exemptions on gross receipts and property taxes for five years, retroactive to Oct. 1, 2003. In exchange for the benefits, Innovative Telephone said that each year the company would award 10 college scholarships worth \$1,000 each and would make substantial charitable contributions to Little League baseball, the Boys and Girls Club and other organizations.

Samuel Ebbesen, senior vice president of Innovative Telephone's parent company Innovative Communication Corp., said Friday night that he did not know the EDC had made a decision but that he was encouraged by the news.

"With EDC support, Vitelco was able to do what it could do," Ebbesen said. "We were able to install broadband technology and made other improvements to modernize the territory, which helped the whole EDC to grow."

Sen. Adlah Donastorg Jr., a long-time critic of the telephone company, issued a written statement Friday night decrying the commission's decision to extend tax benefits to the company.

"As far as I am concerned, any tax break is too much when it comes to Vitelco," Donastorg wrote.

ICC is headquartered on St. Croix and is the corporate parent of a number of telecommunications companies in the Caribbean. Its media holdings in the Virgin Islands include TV2 and The Virgin Islands Daily News.

— Contact Megan Poiniski at 774-8772 ext. 304 or e-mail [mpoiniski@dailynews.vi](mailto:mpoiniski@dailynews.vi).



# EXHIBIT 3

11/16/04

## Service Has Deteriorated Since ICC Takeovers

Dear Source,

I have had an ongoing nagging problem with the virtual monopoly which ICC maintains over the media in the Virgin Islands.

Innovative locally owns The Daily News, the Island Trader, Cable TV and a hefty portion of direct access high-speed Internet, but the service in all areas has deteriorated significantly since their takeover.

With all due respect to the people I still know at The Daily News, the newspaper has faded in my estimation. Gone are the zinging news reports by such as Hal Hatfield and others who sneaked in barbed comments with great glee; almost gone are the likewise barbed editorials which made one chuckle and grimace and think.

Most of the news items these days are written by newcomer reporters, obviously lured by the prospect of working for a "Pulitzer prize-winning newspaper" in a tropical paradise, who have no idea of even the most recent history of the islands and have, many times, made big gaffes and snafus when relating history. The Avis is making good ground with excellent editorials and good reporting.

It used to be fun to walk into The Daily News Main Office. There was always someone cheery at the desk to bid you a "good day" and, if you knew where you were going, you could just go on right through and get greetings from everyone en route. Now it's like a bloody morgue and one feels like an interloper walking through that front door. The gloom of doom incarnate.

And let's address Innovative's Cable TV service. They recently ran full-page ads urging updates of converters. Not once in any of these ads and also not on their Cable 33 channel were customers told that they had to unhook their old converter and bring it in to the new Innovative office. A bunch of people went down to the office to get the new converters but those who didn't unhook and bring in their old converters were told they had to come back another day - after waiting for hours.

Hours? Customers sometimes wait in line for up to four hours. It seems that only four customer representatives are on hand at any time to deal with telephone bills, telephone problems, telephone installations, cable TV installations and enquiries.

Judging from newcomer comments, you might be lucky to get real land-line telephone service within a couple of months. AH! But Innovative offers cell phone service which is more profitable (not for you, but for Innovative!)

S&P rates ICC as a bad credit risk. Doesn't that tell someone something?

The people of the V.I. have (finally) started to make their voices heard via the electoral vote but there is still much to be done. A whole lot has still to be done, with education as a priority. If we continue to neglect the children, we once again raise another generation which is not going to be knowledgeable or self-sufficient and ends up rebelling against the system by turning to crime and drugs - and death.

Anna Clarke  
St. Thomas

*Editor's note:* We welcome and encourage readers to keep the dialogue going by responding to Source commentary. Letters should be e-mailed with name and place of residence to [source@viaccess.net](mailto:source@viaccess.net).

12/26/2002

## INNOVATIVE'S FEATURES NOT SO SPECIAL, NEED TO FIX

by Kevin Weatherbee

Dear Source,

It is time for Innovative Telephone to fix their switching equipment. It often takes several attempts to dial out from many, many phones on these islands. I'm sure nearly everyone has heard: "Your special feature code has been entered incorrectly" and "All circuits are busy now; please hang up and try again later."

I'm willing to bet that there is something in Federal Communications Commission and licensing regulations that prohibits this ongoing problem, or at least requires it be rectified quickly. This morning I tried dialing several numbers repeatedly over a period of hours. Same recordings. The same thing happens frequently from my home phone and other phones I've used on the islands. It is *not* the phones themselves that are the problem. I know of a number of other people that have the same problem.


You'd expect that once in a while cell phone access might be limited due to volume of calls, but not landlines. I contacted Innovative about the problem several weeks ago, and the lady I talked to admitted that it happens frequently on her home phone as well. Simply accepting the problem is hogwash. Today they even tried to tell me I was hitting the "star" key accidentally when I dialed. Further hogwash. What if someone has a medical or other emergency?

What is the likelihood of getting this fixed without federal FCC intervention? Why should we pay for phone "service" that requires multiple dialing attempts on a regular basis, wasting time and money and possibly putting someone at risk in an emergency? Fix it, Innovative, and fix it soon, or my next call will be via AT&T 800 number (which always works) to the FCC in Washington D.C.

Kevin Weatherbee  
St. Thomas

We welcome and encourage readers to keep the dialogue going by responding to Source commentary. Letters should be e-mailed with name and place of residence to [source@viaccess.net](mailto:source@viaccess.net).

*Publisher's note* : Like the St. Thomas Source now? Find out how you can love us twice as much -- and show your support for the islands' *free and independent* news voice ... [click here](#).

Powered by  Rule

OnePaper · Putting the community back into community news

Login

Absolutely  
ChiropracticWTJX 12 &  
WTJX DT 44Weddings  
In ParadiseCHOICE  
COMMUNICATIONSWireless  
High Speed  
Internet

Gallery St. Thomas

SPECIAL  
UVI...UV  
FUTU

Wednesday, Mar. 9, 2005

St. Thomas, US Virgin Islands

SEARCH:

WEB SI

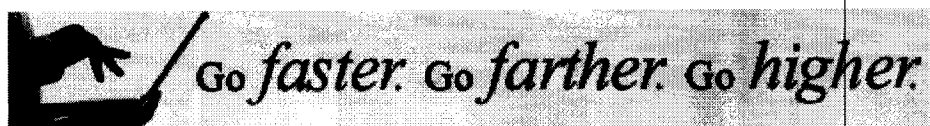
by GC



# ST. THOMAS SOURCE

[Contact St. Thomas Source](#) | [Search OnePaper](#)

Local News

**News**

- Local
- Local Government
- Local Sports

**Business**

- St. Thomas
- Legal Notices
- Island Directory
- Real Estate
- Classifieds
- Advertisers
- Links

**Community**

- People
- Environment
- Calendar
- Organizations
- Schools
- Services
- Data
- Deaths
- Other stuff

**Commentary**

- Editorials
- Op-ed
- Open Forum

**Arts/Entertainment**

- Things to do
- Movies/TV
- Music
- Showcase

**Lifestyles**

- Advice
- Health/Fitness

## RATE PAYERS VOICE DISSATISFACTION WITH SERVICE

*by Michelle Charles*

July 9, 2003 — "We want better service" was the cry of several frustrated Innovative Telephone consumers as they voiced their complaints about the telephone company Tuesday night at a Public Services Commission hearing on St. Thomas.

The public hearing was one of three called to hear consumer comments on the quality of service being received from the telephone company.

"The reason for having the hearings is to ensure the company is providing quality service," said Sandra Setorie, assistant executive director, who served as co-hearing examiner at the meeting.

Setorie said over the past eight months the PSC has received a large number of complaints from Innovative's consumers. A docket was opened to investigate and review the company's performance.

About 20 consumers attended the hearing but several were reluctant to voice their complaints. Most of the complaints heard were about the long waiting period for repairs and service, but other concerns surfaced, too.

Cheryl Miller, president of the St. Thomas-St. John Arts Council, told the PSC that the council has been receiving bills for "nonservice." Miller said the council terminated its phone service in October 2001 but is still receiving invoices.

"The frustrating, yet humorous, point is that I continue to receive telephone bills," Miller said. She added that no one at Innovative has responded to her complaints, and the bills keep increasing.

Stevie Henry also asked the PSC to "take action for Innovative to cease its improper billing practice." He said he kept receiving overdue

**ADVERTISER**

Home/Garden  
Food  
Religion  
Other stuff

**Visitor's Center**  
Accommodations  
Transportation  
Attractions  
Dining Out  
Marine Scene  
Shopping

**About...**  
OnePaper  
St. Thomas Source  
Copyright

notices even though he paid his bill on time.

Glenn Freeman, an ex-Innovative employee and resident of the Hospital Ground area, told PSC members he was frustrated by the frequent phone outages. Freeman also said he was unable to receive services such as caller ID, faxes and the Internet. Because the Hospital Ground area is on a carrier system — a temporary system for providing service to an area — residents cannot get those special services.

Another Hospital Ground resident also complained about the lack of services.

Still other consumers complained about getting annoying recordings such as "All circuits are busy now" and "Your special feature code has been entered improperly" when trying to put through calls.

Representatives of Innovative attended the meeting but did not address the complaints.

The other public hearings will take place at 5:30 p.m. Wednesday on St. John at the Legislature Conference Room in Cruz Bay and at 5:30 p.m. Thursday on St. Croix at the Legislative Conference Room in Frederiksted.

Commission members Verne David and Alric Simmonds and Sen. Shawn-Michael Malone, a non-voting member, attended the St. Thomas hearing.

*Publisher's note* : Like the St. Thomas Source now? Find out how you can love us twice as much -- and show your support for the islands' *free and independent* news voice... [click here](#).

### **Man Dead in Industrial Accident at Crown Bay Plant**

An unidentified worker died Wednesday morning when he was entangled in a piece of equipment while working at a concrete processing plant in Crown Bay. The victim died at the scene at 10 a.m. despite efforts by dozens of emergency workers to save him.

[Click here for More...](#) 2005-03-09 10:01:30

### **Board of Education Suspends St. Croix Exam**

After much heated discussion, the V.I. Board of Education on Tuesday voted to suspend the St. Croix District examination until the Education Department, which developed and administers the tests, appears before the body to report on the necessity of the test.

[Click here for More...](#) 2005-03-09 06:50:34

### **USDOE Calls For Trustee to Manage Federal Funds**

The Education Department will soon have a third party managing its federal funds due to the department's failure to effectively use those funds.

[Click here for More...](#) 2005-03-08 21:30:36

### **Assault Investigation Now Homicide**

Police have upgraded investigations into a Feb. 24 shooting from first-degree assault to murder after the victim died.

[Click here for More...](#) 2005-03-08 20:18:49

### **St. Thomas to be the Star of ESPN Fishing Shows**

St. Thomas will be the star when ESPN 2 runs fishing shows with parts shot in

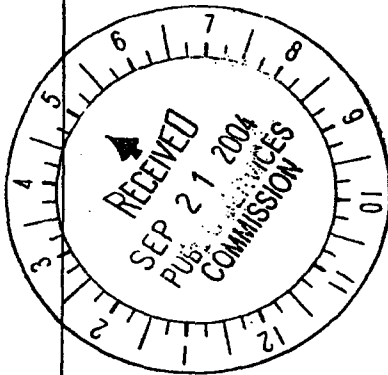


# EXHIBIT 4

GOVERNMENT OF THE VIRGIN ISLANDS  
OF THE  
UNITED STATES

REGULAR BOARD MEETING  
OF THE  
VIRGIN ISLANDS PUBLIC SERVICES COMMISSION

Wednesday, August 25, 2004  
8:45 a.m. to 4:10 p.m.  
Public Services Commission Conference Room  
Barbel Plaza  
St. Thomas, U.S. Virgin Islands



BOARD MEMBERS PRESENT

VALENCIO JACKSON, Chairman  
JERRIS T. BROWNE, Member  
GLORIA CANEGATA-JONES, Member  
DESMOND L. MAYNARD, ESQ., Member  
SENATOR LUTHER RENEE, Member Ex-Officio  
ALRIC SIMMONDS, Member

STAFF PRESENT

KEITHLEY R. JOSEPH, Executive Director  
JULIANA BARZEY, Administrative Assistant  
LARRY GARLIK, Georgetown Consulting  
JIM MADAN, Georgetown Consulting  
CLAUDIUS MOORE, CFO  
SANDRA SETORIE, Assistant Executive Director  
BOYD SPREHN, ESQ., Board Counsel  
FREDERICK WATTS, ESQ., Board Counsel

HILL'S REPORTING SERVICE

P.O. Box 307501  
St. Thomas, V.I. 00803-7501  
(340) 777-6466

1 MR. WATTS:

Mr. Chairman,

2 you had appointed -- you, the Commission, had appointed  
3 Ms. Setorie and Commissioner David to be the Hearing  
4 Examiners in Docket 549 to deal with performance  
5 standards and general performance, and it's my  
6 understanding that most recently specific performance  
7 standards from the past have been discovered and  
8 distributed, and then there were to be questions as to  
9 how that -- how those standards are being complied  
10 with, and what additional standards should be looked at  
11 by the Commission in carrying out its oversight  
12 function.

13 And I think Ms. Setorie has distributed  
14 some of that information but I'm not sure where she  
15 stands on being able to find out where -- to what  
16 extent they're being complied with at the present time.

17 THE CHAIR:

Ms. Setorie.

18 MS. SETORIE:

19 Okay. Just to  
20 reiterate some of what Attorney Watts said, when Docket  
21 549 was opened by the Commission it was on the basis  
22 that there were, in fact, no performance standards. At  
23 that time we were experiencing -- many of our customers  
24 were experiencing trouble with their telephone service.

25 Hearings were held throughout the three  
islands. Testimony was taken both at the hearings,



1 legislative hearings, and at our meetings, and we were  
2 under the assumption that performance standards,  
3 telecommunications performance standards had to be  
4 drafted and approved.

5 It was at a recent legislative hearing  
6 that former attorney for the PSC Attorney Hodge  
7 indicated to us that we had existing standards and that  
8 those standards were, in fact, or should have been in  
9 operation. And so we were able to obtain copies of  
10 those standards.

11 The standards were distributed to the --  
12 actually, I reported on it at the last meeting, the  
13 July meeting. However, the Commission had not had --  
14 had not seen it. They had not seen the standards, so  
15 they didn't have any opportunity to review those  
16 standards.

17 The standards were copied and  
18 disseminated. The fact is that in 1983 the Commission  
19 stipulated, I think it was during rate hearings, that  
20 performance standards be adopted.

21 They were drafted based on the NAHRO model  
22 of service standards that the other jurisdictions were,  
23 in fact, implementing. We do have existing standards.  
24 That's the bottom line.

25 The utility, in fact, has not been

1 implementing those standards. The standards were not  
2 being enforced.

3 The standards called for reporting, both  
4 monthly reporting as well as quarterly reporting, and  
5 the Commission has not, in fact, been receiving those  
6 reports. At the July meeting, after I looked through  
7 the standards, I had the opportunity to review the  
8 standards, and I had requested that the Commission  
9 order the telephone company to continue their  
10 reporting, continue implementing those standards, and  
11 not only continue reporting to us and implementing  
12 those standards but report to the Commission on the  
13 previous three years.

14 And that's just an arbitrary period that  
15 we had determined would probably be sufficient. That's  
16 based on the fact that the telephone company should  
17 have that information going three years back.

18 One of two things I want to point out for  
19 the reasons for the reporting, the reasons for having  
20 those standards, and, you know, the Commission, I'm  
21 sure, can draw conclusions. The purpose of having the  
22 utilities report to us is so that we can actually --  
23 well, two things, so that we can be aware of the  
24 conditions at the utility.

25 For example, in the case of the telephone

1 company, our complaint officers, you know, get  
2 complaints on a regular basis in terms of the outages,  
3 the repairs that are not done, the fact that the  
4 customers are calling the business centers and they're  
5 not getting responses, answers, et cetera, but with the  
6 reports, the Commission would be able to determine for  
7 itself where the deficient areas are. The Commission  
8 would be able to determine for itself and compare it to  
9 the number of calls that we're getting into our  
10 complaint offices.

11 And then the second reason for having the  
12 utility report back to the Commission is equally  
13 important, and that's in terms of performance measures.  
14 I think we heard today about the EDC reportings and the  
15 capital improvement projects that are being done. We  
16 heard the USF and the requirements and whether or not  
17 the requirements that the FCC and the Federal  
18 Government have are general requirements as opposed to  
19 stringent requirements.

20 And the role that the Public Services  
21 Commission plays. Well, the reports that are required  
22 from the utility speak exactly to those areas. Based  
23 on the reports that the Commission gets, we can see  
24 where the deficiencies are, and so you can determine  
25 the performance of the utility and whether or not to

1 grant certification status for USF.

2 THE CHAIR: I thank you,  
3 Ms. Setorie.

4 MR. MAYNARD: I have a  
5 question. Ms. Setorie, based on your investigation,  
6 how much in arrears, if they are in arrears at all, is  
7 VITELCO in respect to the reporting?

8 MS. SETORIE: I don't --

9 MR. MAYNARD: I'm not talking  
10 about the special reporting that we requested before  
11 but the statute for --

12 MS. SETORIE: The monthly and  
13 quarterly reporting.

14 MR. MAYNARD: Yes.

15 MS. SETORIE: I can't say  
16 because the reports don't come to our office. I don't  
17 know that we've received reports from the telephone  
18 company. That, you know, that type of monthly or  
19 quarterly reporting.

20 MR. JOSEPH: I can speak  
21 from the last, I would say, month or two. We've been  
22 getting sporadic reports. So to answer your question  
23 emphatically about how many reports, I would have to  
24 see what we have and get back to you, Commissioner  
25 Maynard, in terms of, to answer your question directly

1 but --

2 MR. MAYNARD: Can you say  
3 that reports are due, that reports are outstanding?  
4 Can you make that statement?

5 MR. JOSEPH: Yes, there are  
6 reports that are outstanding.

7 MS. SETORIE: If I may, the  
8 reports are very specific reports in terms of  
9 installation, the number of installations that have  
10 gone in on a monthly basis, the number of requests for  
11 installations versus the number of installations that  
12 are completed, the number of trouble reports received  
13 versus the number of trouble reports that were  
14 completed.

15 There are two levels of reporting, two  
16 requirements of reporting, one called objective level.  
17 The other is the surveillance level.

18 The objective level, which is already set  
19 and stated in the standards are those levels that are  
20 determined by the Commission. That determines the  
21 standard, the standard level that's required. That's  
22 the objective level.

23 The percentage or the number of -- let's  
24 say in the case of an installation, the percentage or  
25 the number of installations that must be completed each

# EXHIBIT 5

**Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554**

\_\_\_\_\_  
In the Matter of )  
)  
)

Choice Communications LLC )  
)

Petition for Designation as an Eligible )  
Telecommunications Carrier in the )  
United States Virgin Islands )  
\_\_\_\_\_ )

CC Docket No. 96-45

**AFFIDAVIT OF STEVEN J. PARRISH**

1. My name is Steven J. Parrish. I am the Chief Executive Officer of Choice Communications LLC. My business address is 9719 Estate Thomas, Havensight, St. Thomas, VI 00802.

2. The purpose of this affidavit is to support Choice's request for designation as an eligible telecommunications carrier ("ETC"). In this affidavit, I will respond to claims made by Innovative regarding Choice's ability to provision the supported services.

3. In my affidavit in support of Choice's ETC Petition, I certified that Choice has satisfied—or will satisfy—the necessary criteria to be designated as an ETC. In particular, Choice currently offers—or will offer upon designation as an ETC—the services supported by the universal service support mechanisms.

4. Choice will offer the supported services using its fixed wireless local loop network. This fixed wireless local loop network will enable Choice to originate and terminate voice calls to its end-user customers, including residential subscribers.

5. For example, to route a call from a Choice customer to an Innovative customer, the calling party will use a regular analog telephone (either wireline or wireless) in combination with required customer premises equipment. The call will be routed over Choice's fixed wireless network to a Choice switch that provides Class Functionality. The call will be routed to Innovative over interconnection facilities. A call from an Innovative customer to a Choice customer would be routed in the reverse manner.

6. With regard to calls made between Choice customers, the originating call will be routed to Choice's switch via Choice's fixed wireless local loop network. As in the call scenarios described above, the switch provides Class Functionality via instructions from the Class 5 feature server. The call then is completed to the Choice terminating customer using its fixed wireless local loop technology.

7. In its Petition and Reply Comments, Choice explained that its services are unique in many respects. As a result of Choice's unique services, it is able to serve customers (such as the customer on Little St. James Island) that the incumbent could not (or would not) serve using its terrestrial landline network.

8. Choice is in the process of deploying new equipment in its USVI locations, adding new access nodes, and making other network enhancements, which will enable Choice to reach a greater percentage of the USVI population. The first phase of the installation is expected to be completed by the end of the second quarter of 2005.

9. After Choice obtains ETC status, it is committed to using the universal service funds to deploy additional equipment and facilities in the USVI so that it may offer supported services to a greater portion of the islands.



10. In the affidavit in support of Innovative's opposition, Mr. Donald Parrish, a consultant for Innovative ("D. Parrish") stated that he contacted Choice to request service but was denied service. To date, Choice has provided single-party service on a case-by-case basis where persons could not otherwise obtain telephone service, and it has provided PSTN access to SMR customers. These are not services that Choice currently offers on a mass market basis in the USVI. As a result, Choice employees who spoke with D. Parrish were not fully informed on this topic. The expansion of Choice's network and deployment of advanced equipment will enable Choice to provide telephone service and PSTN access on a mass market basis, and Choice's employees are being trained to be able to provide accurate information about these services in response to questions from the public.

11. Choice's fixed wireless service is and will be unique in the USVI. Specifically, there are no other providers of fixed wireless local loop and access services in the USVI today. Although some individuals rely on cellular, the mobile wireless providers in the USVI do not offer a fixed service that operates in the same market as a substitute for Innovative's landline service. When Choice signs up a new customer to its fixed wireless service, that customer can be expected to terminate its service from Innovative.

12. Choice's fixed wireless service is designed to be consumer friendly. As one example, the service is designed to be easy to install; it does not require a truck roll nor does it entail the significant delays and costs that customers experience in attempting to obtain landline telephone service in the USVI from Innovative.

13. With respect to access to interexchange services, Choice is negotiating the necessary agreements with underlying carriers so that Choice can begin providing interexchange service in the USVI as early as April 2005.

14. In its opposition, Innovative claims that one entity (Jilaphun) is competing with it in the USVI. I reviewed Jilaphun's website to determine what services it was providing to consumers in the USVI, but I was unable to determine which services it actually provided. I then called Jilaphun to ask what services it provided. After several attempts calling various phone numbers listed on the website, resulting in busy signals or unanswered lines, I got through to a customer service representative who stated that Jilaphun does not currently offer service in the USVI.

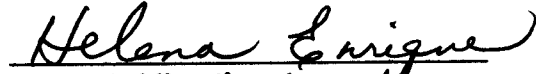
15. I have reviewed Choice's reply comments and the facts discussed therein are true and correct.

This concludes my affidavit.



Steven J. Parrish  
Chief Executive Officer

Affirmed to me this 8<sup>th</sup> day of March, 2005.



Notary Public #140-04

St. Thomas, V.I.